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GLOBAL REINSURANCE COMPANY ANNUAL REPORT 1967

GLOBAL REINSURANCE COMPANY **ANNUAL REPORT 1967**



Report of the Board of Directors

The Board of Directors of Global Reinsurance Company has pleasure in presenting to the Shareholders its report for the year ended December 31, 1967, the eleventh year of the Company's operations.

During 1967, the Company's gross premiums written amounted to \$12,571,251, a decrease of \$3,393,469 over the previous year. Net premiums written totalled \$9,763,056 as against \$12,616,926 in 1966. However, due to the fact that some business written in 1966 was of a short-term nature and not repeated in 1967, the figures for the year under review should more properly be compared with those of 1965, which comparison shows a 10% increase.

The Company's Canadian Treaty Portfolio again produced profitable results with an earned loss ratio of 64.2% and commission paid of 32.1%, corresponding to 61.2% and 32.9% respectively, in 1966.

Due to a series of unusually heavy losses, the Company's Facultative Fire Business showed an earned loss ratio of 99%. The Company has taken appropriate measures to remedy the situation.

The Company's United States Portfolio, with an earned loss ratio of 60%, resulted in good profits in all classes written, i.e. pro rata treaty, facultative casualty, and even in the excess of loss field, in spite of hurricane Beulah.

The Company's European Portfolio, showing a loss ratio of 69% rendered an overall profit, in spite of losses recorded in automobile and ocean marine business.

The statutory net underwriting loss for the year amounted to \$480,617 compared with \$401,712 in 1966 and \$479,115 in 1965.

This result was, however, more than offset by the Company's investment income which, during a period of difficult domestic and international financial markets, was advanced to \$496,463 from \$360,427 in 1966. This figure includes profits from sales of securities amounting to \$101,258 in 1967, compared to \$19,479 in the previous year. The average yield on the investment portfolio rose from 5.4% in 1966 to 6.3% in 1967.

With additional net income of \$72,880 obtained from interest on deposits and other sources, the total financial net income came to \$569,343, offsetting the net underwriting loss and resulting in a net operating profit of \$88,726 (\$60,405 in 1966).

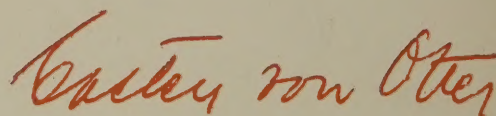
The Policyholders' Surplus, after payment of dividends to Shareholders of \$162,410, now stands at \$1,946,640.

In 1967, Mr. H. E. Girardet resigned as a Director of the Company. The death in March of Mr. W. C. Mainwaring, a Director of the Company of long standing, is recorded with sincere regret.

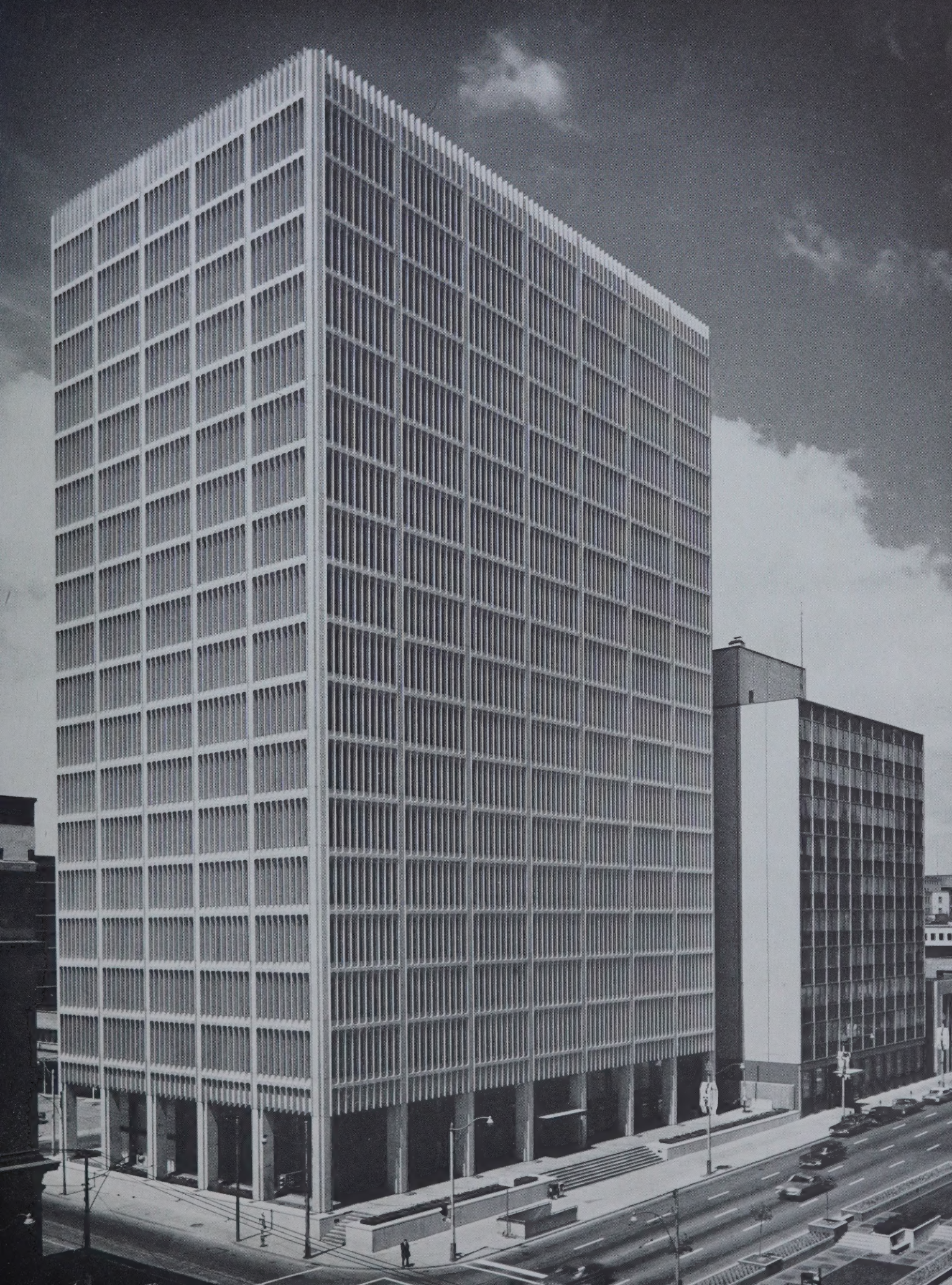
As an event of particular importance, the Company was able to record during 1967, Canada's Centennial Year, the moving into its own offices in Global House, 480 University Avenue, Toronto.

Your Directors wish to express to the Officers and Staff appreciation of their efforts and loyal support throughout the year.

On behalf of the Board,



Casten von Otter
Executive Vice-President and Managing Director



Board of Directors

DR. HANS GERLING, *Chairman of the Board*

President and Chief Executive Officer of the Gerling Group of Insurance Companies.

NORMAN E. PHIPPS, Q.C., *President*

Partner of White, Bristol, Beck & Phipps, Vice-Chairman of the Board of Global Life Insurance Company, President of Global General Insurance Company.

BARON CASTEN von OTTER, K.St.J.

Executive Vice-President and Managing Director

Executive Vice-President and Managing Director of Global General Insurance Company, Director of Gerling Global Offices Inc., New York, U.S.A.

J. M. R. CORBET

Director of Area Mines Limited, Canada Permanent Trust Company, Mattagami Lake Mines Limited, United Accumulative Fund, Global General Insurance Company, Global Life Insurance Company.

R. W. FINLAYSON, M.A.

President of Finlayson Enterprises Limited, Director of Industrial Adhesives Limited, Global General Insurance Company, Global Life Insurance Company.

HON. LOUIS-P. GÉLINAS, M.B.E.

Counsel for Geoffrion, Robert and Gélinas, Inc., Director of The Mercantile Bank of Canada, Canadian International Paper, Global General Insurance Company, Global Life Insurance Company.

BRIG. W. PRESTON GILBRIDE, C.B.E., D.S.O., E.D., LL.D.

Chairman of the Board of A. Bradshaw & Son Limited, Grafton-Fraser Limited, Director of Global General Insurance Company, Global Life Insurance Company, Gerling Global Offices Inc., New York, U.S.A., Gerling Insurance Group, Cologne, West Germany.

H. E. LUMSDEN, B.C.E., P.ENG.

President of Global Life Insurance Company, Chairman of the Board of Lumsden Brothers Limited, Director of Global General Insurance Company.

DR. PETER MEHLHORN

Director of Global General Insurance Company, Global Life Insurance Company, Gerling Global Reinsurance Company Ltd., London, England, Gerling Global Reinsurance Company of South Africa Ltd., Johannesburg, S.A.

DR. E. MICHEL MEYER

Director of Global General Insurance Company, Global Life Insurance Company, Gerling Global Offices Inc., New York, U.S.A., Gerling Global Reinsurance Company Ltd., London, England, Gerling Global Reinsurance Company of South Africa Ltd., Johannesburg, S.A.

Head Office

GLOBAL HOUSE
480 University Avenue
Toronto 2, Canada

Telephone: 366-1161
Cables: "Globalre" Toronto
Telex: "Globalre" 02-2242



Executive Officers

DR. HANS GERLING, *Chairman of the Board*

NORMAN E. PHIPPS, Q.C.
President

CASTEN von OTTER
Executive Vice-President and Managing Director

GERHARDT P. LAUTENSCHLAEGER
Vice-President and Manager

ROLF R. KERN
Manager and Secretary-Treasurer

P. B. ANDERSEN
Assistant Manager

Global Reinsurance Company

Balance Sheet as at December 31, 1967

	\$
Assets	
Bonds—at amortized cost (quoted market value \$5,500,432) (Note 2)	6,377,915
Stocks—at market value (cost \$1,250,942) (Note 2)	980,274
Real Estate—at cost	500,000
Cash	356,865
Accrued Interest and Dividends	89,147
Amounts due from Retrocessionaires	14,363
Amounts due from Ceding Companies	331,760
Deposits with Ceding Companies	199,006
Leasehold Improvements—at cost less amortization	127,260

Signed on behalf of the Board:

N. E. Phipps, Director

Casten von Otter, Director

8,976,590

Auditors' Report to the Shareholders

We have examined the balance sheet of Global Reinsurance Company as at December 31, 1967 and the statements of operations and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations for the year then ended, in accordance with accounting practices appropriate to the insurance laws of Canada, applied on a basis consistent with that of the preceding year.

Toronto, February 29, 1968

McDonald, Currie & Co.
Chartered Accountants

Liabilities

Provisions for—

Unpaid Claims and Adjustment Expenses.....	1,871,001	
Unearned Premiums at 80%.....	<u>1,887,150</u>	3,758,151
Deposits withheld from Unlicensed Retrocessionaires.....		2,796,880
Amounts due to Ceding Companies.....		274,816
Amounts due to Retrocessionaires.....		120,138
Accrued Taxes.....		58,921
Accrued Expenses.....		<u>21,044</u>
		<u>7,029,950</u>

CAPITAL STOCK AND SURPLUS

CAPITAL STOCK (Note 3)	1,850,000	
SURPLUS.....	<u>96,640</u>	
POLICYHOLDERS' SURPLUS.....		<u>1,946,640</u>
		<u>8,976,590</u>

**Notes to the
Financial
Statements**

1. Assets and liabilities in foreign currencies have been converted at the rates prevailing at December 31, 1967.
2. Bonds with a par value of \$1,343,125 and stocks with a market value of \$656,883 are held by Ceding Companies in escrow or under deposit agreements.

3. Capital Stock:

Authorized —

- 1,000 5% cumulative convertible non-voting Class A shares redeemable at the par value of \$100 each
- 12,000 non-voting Class B shares with a par value of \$100 each
- 10,000 common shares with a par value of \$100 each

Issued and fully paid —

	\$
1,000 Class A shares.....	100,000
7,500 Class B shares.....	750,000
10,000 Common shares.....	<u>1,000,000</u>
	<u>1,850,000</u>

4. Remuneration paid to Directors and Senior Officers during the year amounted to \$105,098.

Statement of Operations

for the year ended December 31, 1967

			\$
Gross Premiums written.....		12,571,251	
Premiums retroceded.....		<u>2,808,195</u>	
Net Premiums written.....		9,763,056	
Increase in Provision for Unearned Premiums.....		<u>110,446</u>	
Net Premiums earned.....		9,652,610	
Net Claims and Adjustment Expenses incurred.....	6,786,132		
Commissions.....	2,972,221		
Premium Taxes and other Expenses.....	213,734		
Salaries, Fees and Travelling Expenses.....	<u>161,140</u>	<u>10,133,227</u>	
STATUTORY UNDERWRITING LOSS.....		480,617	
FINANCIAL INCOME—			
Interest.....	353,964		
Dividends.....	35,758		
Profit on Sale of Investments.....	101,258		
Interest on Deposits.....	113,976		
Rent.....	<u>27,500</u>	632,456	
LESS—			
Interest paid on Deposits.....	40,592		
Investment and other Expenses.....	<u>22,521</u>	<u>63,113</u>	<u>569,343</u>
NET OPERATING PROFIT FOR THE YEAR.....			<u><u>88,726</u></u>

Statement of Surplus

for the year ended December 31, 1967

		\$
BALANCE—DECEMBER 31, 1966.....		130,211
Net Operating Profit for the Year.....		88,726
Net Decrease in Non-Admitted Assets.....		<u>40,113</u>
		259,050
Dividends paid to Shareholders.....		<u>162,410</u>
BALANCE—DECEMBER 31, 1967, (including contributions to surplus of \$1,900,000, arising from the issue of shares at a premium, less applicable dividends of \$401,835).....		<u><u>96,640</u></u>

Portfolio of Investments

Bonds

PAR VALUE	DESCRIPTION		MATURITY DATE	AMORTIZED BOOK VALUE	YIELD
100,000	Government of Canada.....	5%	1971	100,000	5.00
150,000	Government of Canada.....	5%	1973	150,000	5.00
50,000	Government of Canada.....	5½%	1974	49,571	5.68
100,000	Government of Canada.....	5½%	1976	101,418	5.26
50,000	Government of Canada.....	3¾%	1978	48,971	4.01
25,000	Government of Canada.....	5¼%	1990	24,283	5.48
50,000	Province of Quebec.....	4¾%	1977	49,648	4.86
25,000	Province of Quebec.....	5½%	1990	24,560	5.65
160,000	Ontario Hydro.....	4¾%	1975	157,680	5.00
100,000	Ontario Hydro.....	5%	1976	99,822	5.03
100,000	Ontario Hydro.....	5%	1977	99,719	5.04
50,000	Ontario Hydro.....	4½%	1978	48,235	5.00
100,000	Ontario Hydro.....	5%	1978	99,118	5.12
100,000	Ontario Hydro.....	5%	1983	97,300	5.29
50,000	Ontario Hydro.....	5¼%	1985	49,708	5.29
35,000	Quebec Hydro.....	5%	1980	34,382	5.22
50,000	Quebec Hydro.....	5¼%	1986	48,764	5.50
210,000	Quebec Hydro.....	5%	1995	195,555	5.52
75,000	B.C. Electric.....	5½%	1988	75,000	5.13
25,000	Alberta Municipal Financing Corp.....	6¼%	1989	24,772	6.33
200,000	Alberta Municipal Financing Corp.....	6%	1992	200,000	6.00
100,000	Shawinigan Water & Power Co.....	4¾%	1976	96,538	5.35
160,000	Metropolitan Toronto.....	5%	1977	160,818	4.93
30,000	Metropolitan Toronto.....	5½%	1982	29,738	5.61
1,130,000	Metropolitan Toronto.....	5%	1983	1,099,002	5.34
50,000	City of Montreal.....	7%	1992	48,680	7.24
45,000	Abitibi Paper Co.....	6¼%	1977	46,898	5.61
45,000	Alberta Gas Trunk Line Co.....	6½%	1981	46,426	6.04
100,000	Alliance Credit Corp.....	6¼%	1985	80,000	6.37
50,000	Bell Telephone Co.....	6¼%	1978	52,356	5.54
100,000	Bell Telephone Co.....	6½%	1987	99,729	6.15
200,000	Bell Telephone Co.....	6¼%	1988	200,476	6.23
100,000	B.C. Forest Products.....	6½%	1992	97,600	6.71
50,000	B.C. Telephone Co.....	5¼%	1983	48,923	5.51
30,000	B.C. Telephone Co.....	6¾%	1991	29,856	6.41
50,000	Canada & Dominion Sugar Co.....	5%	1978	49,706	5.07
150,000	Canadian Pacific Railway Co.....	5%	1983	146,183	5.29
50,000	Consumers' Gas Co.....	5%	1978	49,559	5.12
594,000	T. Eaton Acceptance Co.....	6¼%	1980	621,324	6.15
200,000	T. Eaton Realty Co.....	5%	1978	197,647	5.16
220,000	International Bank of Reconstruction.....	6¼%	1992	215,776	6.41
28,000	Irving Oil Co.....	6½%	1981	28,856	6.12
100,000	Loblaws Groceries.....	6¼%	1991	98,563	6.88
20,000	Loblaws Leased Properties.....	6¼%	1985	20,779	6.31
235,000	Salada Foods.....	6%	1977	237,247	5.84
50,000	Simpson-Sears Acceptance Co.....	6¼%	1980	52,350	6.15
12,000	Steinberg Properties.....	6%	1984	11,896	6.10
187,000	Steinberg Shopping Centres.....	7%	1985	194,906	6.45
25,000	Traders Finance Corp.....	5¾%	1979	24,908	5.80
200,000	Traders Finance Corp.....	5¼%	1981	199,802	5.76
200,000	Traders Finance Corp.....	5¾%	1983	202,692	5.59
2,000	Trans-Canada Pipe Lines.....	5%	1989	2,050	4.80
50,000	Bliss & Laughlin Industries.....	5¾%	1987	50,000	5.75
50,000	General Instruments.....	5%	1992	50,000	5.00
	Exchange Adjustment to Canadian Funds.....			8,125	
	TOTAL BONDS.....			<u>\$6,377,915</u>	5.63

Portfolio of Investments (cont.)

Real Estate:

Land — at cost.....	<u>\$500,000</u>	5.50
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Shares

NO. OF SHARES	DESCRIPTION	(U.S.)	BOOK VALUE (CDN.)	YIELD
2,000	Abitibi Paper Co.....		24,225	4.62
500	Alcan Aluminium.....		16,813	2.97
1,000	American Metal Climax.....	48,100		3.95
882	American Telephone & Telegraph Corp.....	60,585		3.20
2,500	Bank of Montreal.....		34,496	3.77
2,500	Canadian Imperial Bank of Commerce.....		34,141	3.81
2,000	Cominco.....		79,650	4.27
300	Falconbridge Nickel Mines.....		26,663	3.94
600	General Foods Corp.....	54,950		2.57
1,000	Industrial Acceptance Corp.....		28,225	4.33
500	Inland Steel.....	21,662		4.62
500	Iowa Public Service.....	14,375		4.31
100	International Business Machines.....	61,650		0.71
400	International Telephone & Telegraph Corp.....	48,038		1.25
3,600	Laurentide Financial Corp.....		30,895	—
400	MacMillan, Bloedel.....		15,041	3.19
1,575	Mill Factors Corp.....	37,025		2.55
530	Monsanto Co.....	46,287		1.83
500	Montgomery Ward & Co.....	25,988		1.92
800	National Biscuit Co.....	42,787		3.69
300	Owens-Corning Fiberglass Corp.....	33,863		1.24
1,000	R. J. Reynolds Tobacco Co.....	63,700		3.21
300	Richardson-Merrell.....	28,750		1.36
2,500	Royal Bank of Canada.....		39,606	3.79
500	Royal Dutch Petroleum.....	22,750		3.56
200	Scientific Data Systems.....	28,975		—
500	Southern Co.....	14,187		3.65
400	Standard Oil Co. N.J.....	32,100		4.30
700	Talcott (James).....	34,650		2.02
200	Texas Instruments.....	23,887		0.63
3,000	Toronto-Dominion Bank.....		38,447	4.06
1,000	Trans-Canada Pipe Lines.....		35,800	2.79
600	United States Steel Corp.....	38,988		4.33
	TOTALS.....	<u>783,297</u>	<u>404,002</u>	
	Exchange adjustment to Canadian Funds.....	<u>63,643</u>		
		<u>846,940</u>		
	TOTAL SHARES.....		<u>1,250,942</u>	2.86
	TOTAL PORTFOLIO—AT COST.....		<u>8,128,857</u>	5.21
	Adjustment to statement value.....		<u>270,668</u>	
	GRAND TOTAL.....		<u>\$7,858,189</u>	

The Global Insurance Companies

All Classes of Insurance and Reinsurance



GLOBAL GENERAL INSURANCE COMPANY
GLOBAL LIFE INSURANCE COMPANY
GLOBAL REINSURANCE COMPANY

Consolidated Group Information

as at December 31, 1967

	1967	1965	1963	1961	1959	1957
	\$	\$	\$	\$	\$	\$
CAPITAL of all Companies						
Paid-up (including original Contribution to Surplus)	10,280,000	10,280,000	10,050,000	7,450,000	3,750,000	2,550,000
SURPLUS FOR THE PROTECTION OF POLICYHOLDERS	6,185,117	6,785,644	6,027,688	6,515,520	2,913,630	2,484,078
ADMITTED ASSETS	45,482,648	37,994,928	40,212,349	32,942,776	21,239,985	10,830,495
INVESTED ASSETS	21,621,357	18,283,581	21,256,993	18,135,534	8,310,960	3,114,568
NET PREMIUMS written	22,012,743	21,187,085	18,432,048	14,654,274	9,600,373	5,508,187
Global General Insurance Company	8,700,781	7,824,940	7,903,591	6,438,766	4,429,219	2,934,245
Global Reinsurance Company	9,763,056	9,338,094	6,856,463	6,005,296	3,582,801	1,613,689
Global Life Insurance Company	3,548,906	4,024,051	3,671,994	2,210,212	1,588,353	960,253
LIFE INSURANCE IN FORCE	409,712,887	355,753,284	280,524,114	170,973,255	86,936,359	24,034,000

